Supporting Statement for the
Reports of Deposits
(FR 2900, FR 2950/2951; OMB No. 7100-0087)
(FR 2910a; OMB No. 7100-0175)
(FR 2930/2930a; OMB No. 7100-0088)
(FR 2915; OMB No. 7100-0237)

Summary

The Board of Governors of the Federal Reserve, under delegated authority from the Office of Management and Budget (OMB), proposes to extend for three years, with revisions, the reports of deposits. This group of reports consists of:

- Report of Transaction Accounts, Other Deposits and Vault Cash (FR 2900; OMB No. 7100-0087)
- Report of Certain Eurocurrency Transactions (FR 2950/2951; OMB No. 7100-0087)
- Annual Report of Total Deposits and Reservable Liabilities (FR 2910a; OMB No. 7100-0175)
- Allocation of Low Reserve Tranche and Reservable Liabilities Exemption (FR 2930/2930a; OMB No. 7100-0088)
- Report of Foreign (Non-U.S.) Currency Deposits (FR 2915; OMB No. 7100-0237)

Depository institutions file reports of deposits either weekly, quarterly, or annually. In general, the larger the depository institution's level of deposits, the more frequent its reporting. These mandatory reports are used by the Federal Reserve for administering Regulation D (Reserve Requirements of Depository Institutions) and for constructing, analyzing, and controlling the monetary and reserve aggregates.

The Federal Reserve proposes eight revisions: (1) changing the definition of "nonexempt institutions" (those that file an FR 2900 report), effective with the September 2003 panel shift; (2) instituting a new "reduced reporting limit" -- any institution with total deposits at or above a $1 billion *reduced reporting limit* would report the FR 2900 weekly, effective with the September 2003 panel review; (3) reducing the reporting frequency for the two nonpersonal time deposit items on the FR 2900 to one day each year, effective September 2003; (4) raising the nonexempt deposit cutoff to $150.0 million, an upward adjustment from the 2003 indexed level of $112.3 million, effective for the September 2003 panel review; (5) discontinuing the FR 2950/2951 in May 2004, contingent upon some items being added to the bank credit family of reports; (6) adding the item "net transaction accounts" to the FR 2910a, effective June 2003; (7) changing the reporting date for the FR 2910a to June 30th , effective June 2003; and (8) adding the item "net Eurocurrency liabilities" to the FR 2900, to be reported one day each year beginning June 2004. These proposed revisions would decrease the estimated annual reporting burden for this information collection from 978,525 to 803,159 hours, a reduction of 175,366 hours (18 percent) with an additional reduction of 19,854 hours in May 2004. Other than the proposed changes to the FR 2900, FR 2910a, and FR 2950/2951, no revisions to the content of the other reports (FR 2930/2930a and FR 2915) are proposed. In addition, the Federal Reserve has updated and clarified the instructions to the FR 2900 and FR 2910a, including the proposed

revisions outlined here. Copies of all reporting forms and instructions, marked to show the revisions and clarifications, are attached.

Background and Current Reporting Structure

The current system of reporting was designed to meet the requirements of both the Monetary Control Act of 1980 (MCA) and the Garn-St Germain Depository Institutions Act of 1982 (Garn-St Germain Act). The MCA imposed reserve requirements on all depository institutions that have transaction accounts or nonpersonal time deposits and mandated a phase-in period during which institutions could adjust to the new levels of reserve requirements.[1] The Garn-St Germain Act subsequently imposed a zero-percent reserve requirement on the first $2 million of a depository institution's reservable liabilities, in effect exempting from reserve requirements all depository institutions whose total reservable liabilities are less than or equal to the exemption amount. The exemption amount was to be indexed annually by 80 percent of the annual growth rate of reservable liabilities at all depository institutions.[2] The Garn-St Germain Act also required that, “Consistent with the Board's responsibility to monitor and control monetary and credit aggregates, depository institutions which have reserve requirements under this subsection equal to zero per centum shall be subject to less overall reporting requirements than depository institutions which have a reserve requirement under this subsection that exceeds zero per centum.”

The current reporting framework for the main deposit reports was implemented in April 1983 to fulfill the reduced reporting requirements of the Garn-St Germain Act. This framework originally comprised five reporting categories (defined in the next section). In 2000, as part of the regular review of the deposit reports, the number of reporting categories was reduced to four.[3] The boundaries of the reporting categories are defined by two measures: the exemption amount and a deposit cutoff. Membership in the reporting categories is reviewed annually, with classification of institutions among categories (known as panel shifts) occurring each September. These shifts have reflected movements in depository institutions' total deposits or total reservable liabilities across the prevailing boundaries that separate the reporting categories.

As noted earlier, the exemption amount, which is governed by statute, is indexed annually; it was $5.7 million in 2002 and is $6.0 million in 2003. The deposit cutoff is determined by the Federal Reserve Board. In implementing the Monetary Control Act in 1980, the Board elected to limit the reporting burden on smaller institutions with total deposits below a given level by reducing their frequency of reporting. This single deposit cutoff initially was set at $5 million, but in 1983, when reduced reporting was implemented, it was raised to $15 million. In 1985, under the regular triennial review of the deposit reports, the single deposit cutoff was raised to $25 million, to be indexed each year thereafter at 80 percent of the June-to-June growth rate of total deposits at all depository institutions. In the 1988 review of the deposit reports, the cutoff

---

1. The Federal Reserve imposes reserve requirements on U.S. branches and agencies of foreign banks under the authority of the International Banking Act of 1978.

2. No adjustment is made to the exemption amount if total reservable liabilities at all depository institutions should decline. The annual growth rate is measured from June 30th one year to June 30th the next year, and then used in calculating the exemption amount for the subsequent year (it is implemented the first maintenance period in that subsequent year which includes January 1).

3. The FR 2910q was discontinued on September 25, 2000, thereby eliminating one of the reporting categories.

was raised to $40 million, from the $30 million level given by the indexation formula. The deposit cutoff was indexed in each of the next five years, reaching $44.8 million in 1993.

In 1994, as part of the regular review of the deposit reports, the single deposit cutoff (which had applied to both nonexempt and exempt institutions) was replaced by two separate deposit cutoffs -- one deposit level for nonexempt institutions (the nonexempt deposit cutoff) and a different deposit level for exempt institutions (the exempt deposit cutoff). The exempt deposit cutoff was set at $44.8 million,[4] while the nonexempt cutoff was set at $55.0 million. This new scheme afforded a compromise between reduced reporting burden on the one hand, and accurate measurement of the monetary and reserve aggregates on the other.[5] In 1995 and 1996, each deposit cutoff was indexed annually according to the usual procedure. In 1997, the exempt deposit cutoff remained at its 1997 indexed value of $48.2 million, but the nonexempt deposit cutoff was raised to $75.0 million (from its 1997 indexed level of $59.3 million). In 1998 and 1999, each deposit cutoff was indexed annually according to the usual procedure.

In 2000, as part of the regular review of the deposit reports, the exempt deposit cutoff was eliminated and the report associated with that cutoff, the FR 2910q, was discontinued.[6] The nonexempt deposit cutoff was raised to $95.0 million (from its 2000 indexed level of $84.5 million). In 2001 and 2002, the nonexempt deposit cutoff was indexed annually according to the usual procedure. Without the proposed Board intervention, this indexing procedure would call for the nonexempt deposit cutoff to be set to $112.3 million for the September 2003 panel determination.

Deposit Reports. With the exceptions noted below, an institution's reporting status is currently determined by the levels of its reservable liabilities and total deposits. Nonexempt institutions – currently defined as those with reservable liabilities greater than the exemption amount – file the fourteen-item Report of Transaction Accounts, Other Deposits and Vault Cash (FR 2900) weekly if their total deposits are greater than or equal to the nonexempt deposit cutoff and quarterly if their total deposits are less than the nonexempt deposit cutoff.

Exempt institutions -- currently defined as those with reservable liabilities less than or equal to the exemption amount -- file the two-item Annual Report of Total Deposits and Reservable Liabilities (FR 2910a) covering one day in June if their total deposits are greater than the exemption amount. Exempt institutions with total deposits less than or equal to the exemption amount are not required to report deposit data at all if other data sources, such as Call Reports[7], are available.

---

4. $44.8 million was the indexed value of the single deposit cutoff for 1994.

5. Due to the implementation of the dual cutoffs and raising the nonexempt cutoff to $55.0 million, over 1,000 weekly reporting institutions became eligible for reduced (quarterly) reporting.

6. Improved timeliness and processing procedures made it possible to use data from Call Reports, rather than data from the FR 2910q, in the construction of the monetary aggregates. About 500 affected institutions were asked to report the two-item FR 2910a once a year, instead of the six-item FR 2910q four times a year. Owing to this change, in September 2000, about $60 billion in deposits were shifted off the FR 2910q. The differences resulting from using Call Reports, rather than the FR 2910q, were negligible.

7. The term Call Reports will refer to the commercial bank Consolidated Reports of Condition: FFIEC 031and 041 (OMB No. 7100-0036); the Thrift Financial Report: OTS 1313 (OMB No. 1550-0023); and the Statement of Financial Condition: NCUA 5300/5300SF (OMB No. 3133-0004).

U.S. branches and agencies of foreign banks and Edge and agreement corporations are required to report the FR 2900 weekly regardless of their deposit size. In addition, any institution that is assigned to a particular reporting category may elect instead to report deposits (and, if applicable, maintain reserves) in accordance with a higher reporting frequency category.

The following two tables (Tables 1.a. and 1.b) describe the deposit reporting panels as of the last panel shift date, by entity type and reporting form.

Table 1.a: Number of Reporters, as of September 23, 2002

Entity Type	Reporting Panel				
	FR 2900 Weekly	FR 2900 Quarterly	FR 2910a	Other	Total
Commercial Banks	3,025	4,295	463	598	8,381
S&L, Savings Banks	794	380	273	48	1,495
Credit Unions	715	529	4,336	4,387	9,967
Corporate Central Credit Unions	33	1	0	0	34
Edge and Agreement (Head Office)	16	not eligible for quarterly or annual reporting			16
Edge and Agreement (Branch)	9				9
U.S. Branches/Agencies of Foreign Banks	257				257
TOTAL	4,849	5,205	5,072	5,033	20,159

Table 1.b: Total Deposits, as of September 23, 2002 ($ billions)

Entity Type	Reporting Panel				
	FR 2900 Weekly	FR 2900 Quarterly	FR 2910a	Other	Total
Commercial Banks	3,846	228	11	1	4,086
S&L, Savings Banks	798	26	20	0	844
Credit Unions	297	31	139	10	477
Corporate Central Credit Unions	81	0	0	0	81
Edge and Agreement (Head Office)	5	not eligible for quarterly or annual reporting			5
Edge and Agreement (Branch)	0				0
U.S. Branches/Agencies of Foreign Banks	604				604
Total	5,631	285	170	11	6,097

Related Deposit Reports. There are two other deposit reports associated with the FR 2900. First, the Report of Certain Eurocurrency Transactions (FR 2950/2951) collects information on Eurocurrency liabilities from depository institutions that obtain funds from foreign (non-U.S.) sources or that have foreign branches. This five-item report collects seven days of data with the same frequency as the FR 2900. Second, the Report of Foreign (Non-U.S.) Currency Deposits (FR 2915) collects weekly (seven-day) averages of the amounts outstanding for foreign (non-U.S.) currency deposits held at U.S. offices of depository institutions, converted to U.S. dollars and included in the FR 2900. Foreign currency deposits are subject to reserve requirements and, therefore, are included in the FR 2900. However, because foreign currency deposits are not included in the monetary aggregates, the FR 2915 data are used to remove foreign currency deposits from FR 2900 data in calculating the monetary aggregates. FR 2915 data also are used to monitor the volume of foreign currency deposits. All weekly and quarterly FR 2900 respondents offering foreign currency deposits file the six-item FR 2915 quarterly, on the same schedule as quarterly FR 2900 respondents.

Allocation Reports. Institutions having two or more offices (or groups of offices) that file separate FR 2900 reports (weekly or quarterly) are required to file at least annually the Allocation of Low Reserve Tranche and Reservable Liabilities Exemption (FR 2930 or FR 2930a). An institution's net transaction accounts up to the exemption amount ($6.0 million in 2003) are reserved at zero percent.[8] In addition, net transaction accounts up to the low reserve tranche ($42.1 million in 2003) are reserved at 3 percent, while amounts in excess of this amount

8. The reserve ratios that apply to the nontransaction account components of reservable liabilities are zero.

are reserved at 10 percent.[9] Only a single exemption and a single low reserve tranche are allowed, however, per chartered depository institution. Thus, institutions that submit separate deposit reports covering different groups of offices are required to file the FR 2930 or FR 2930a at least annually to allocate among these offices the low reserve tranche and the exemption amount applicable in any given year.

Proposed Revisions and Justification

Change the Definition of Nonexempt. The term “nonexempt” in the deposit reporting framework is used to characterize those institutions that must report an FR 2900 -- that is, those that are not eligible for reduced (non-FR 2900) reporting. The current framework defines institutions as “nonexempt” if their total reservable liabilities are greater than the exemption amount. Total reservable liabilities has three components: net transaction accounts, nonpersonal savings and time deposits, and net Eurocurrency liabilities. In 1991, the Board lowered the reserve requirement ratios on the nonpersonal savings and time deposits and Eurocurrency components to zero percent. As a result, certain institutions with a reserve requirement of zero were still “nonexempt” because their reservable liabilities exceeded the exemption amount. These institutions were still required to submit an FR 2900 report (weekly or quarterly).[10] The Federal Reserve justified collecting FR 2900 data from such institutions for two reasons: (1) there was a possibility that the Board could raise the reserve requirement ratios on the nonpersonal deposit items or Eurocurrency components above zero, and (2) that information was still needed from these institutions to monitor and control the monetary and credit aggregates.

The reserve requirement ratios on nonpersonal savings and time deposits and net Eurocurrency liabilities have not been raised above zero for the last twelve years. Consequently, the Federal Reserve proposes that, beginning with the September 2003 panel shift, the deposit reporting framework be changed to define “nonexempt” in terms of net transaction accounts rather than total reservable liabilities. Thus, any depository institution with *net transaction accounts* greater than the exemption amount would be deemed “nonexempt” for reporting purposes. Correspondingly, institutions with net transaction accounts less than or equal to the exemption amount would be deemed “exempt” for reporting purposes.

Had this proposal been in effect for the 2002 annual panel review, the Federal Reserve estimates that an additional 1,049 institutions would have shifted off the FR 2900 panel (95 weekly and 954 quarterly). Like other institutions that do not report the FR 2900, for the purposes of constructing the monetary aggregates, their deposits would have been estimated using their quarterly Call Reports.

---

9. Between February 2, 1984 and July 29, 1998 -- period known as “CRR” (contemporaneous reserve requirements) -- institutions maintained reserves on their transaction account balances nearly “contemporaneously” (i.e., with a 2-day lag) although reserve requirements on nontransaction liabilities were met on a lagged basis (until the reserve ratio on these liabilities were set to zero beginning with the reserve maintenance period beginning on December 27, 1990). With the reserve maintenance period beginning on July 30, 1998, institutions maintained reserves on a “lagged” basis (i.e., with a 30-day lag), known as “LRR” (lagged reserve requirements).

10. These institutions had net transaction accounts below the exemption amount, but total reservable liabilities above the exemption amount.

Establish a "Reduced Reporting Limit," Initially Set at $1 Billion. In order to maintain the integrity of the monetary aggregates, the Federal Reserve proposes that the framework for reporting deposits incorporate the use of a "reduced reporting limit." Specifically, any institution with total deposits greater than or equal to the reduced reporting limit, regardless of the level of net transaction accounts, would file the FR 2900 *weekly*, and therefore be considered nonexempt. The Federal Reserve proposes that the initial reduced reporting limit be set at $1 billion. This limit would be used for the first time in the 2003 annual panel review. In subsequent years, the reduced reporting limit (like the nonexempt deposit cutoff) would be indexed to 80 percent of the June 30-to-June 30 growth in total deposits at all depository institutions.[11]

Without a reduced reporting limit -- that is, if the Federal Reserve allowed *all* 1,049 institutions described above to shift off the FR 2900 panel -- there would be two significant detrimental effects on the monetary aggregates:

(1) Differences resulting from using Call Report data instead of FR 2900 data would result in a $20 billion downward shift in the deposit portion of M2 and an $8 billion downward shift in the deposit portion of M3. The shift, by component, is detailed in Table 2 below.

Table 2: M2 and M3 Shifts Without a Reduced Reporting Limit

	Deposits ($billions)		
	FR 2900 (1)	Call Report (2)	Difference (2-1)
In M2	73	53	**(20)**
Demand Deposits Adjusted	2	2	0
Other Checkable Deposits	3	4	1
Savings & MMDA Deposits	25	22	(3)
Small Time Deposits	43	25	(18)
In M3	105	97	**(8)**
Large Time Deposits	32	44	12

The shifts arise because the FR 2900 data used for the monetary aggregates are weekly averages of daily data, while the Call Report records one-day data. In addition, there are two significant definitional differences between these two data sources:

(a) The FR 2900 defines certain primary obligations as deposits, while the Call Report defines them as borrowings, and,

(b) The FR 2900 classifies brokered time deposits by size of the CD held by the underlying depositor, while the Call Report classifies them by the size of the CD issued to the broker.

11. As with current indexation procedures for the nonexempt deposit cutoff, if total deposits decline in that period, the reduced reporting limit would remain at its current level (no downward adjustment would be made).

In general, these differences are significant only at the very largest institutions.

(2) Weekly estimates of the monetary aggregates would deteriorate. Weekly estimates for both the FR 2900 quarterly reporters and the non-FR 2900 quarterly Call reporters are estimated using a sample of FR 2900 weekly reporters, known as the "surrogate panel." In general, institutions that do not report weekly are accurately estimated using this sample. But very large institutions may not be accurately estimated using sampling techniques. There are two reasons for this. First, even a small percentage estimation error, when applied to a large institution, can result in a large dollar error. Second, if the institutions in question are in special lines of business, they are not accurately estimated using data from institutions not in those lines of business.

However, under the proposal to incorporate a reduced reporting limit of $1 billion into the deposit reporting framework, the series breaks become much smaller: the breaks would amount to only a $2 billion downward shift in M2 and M3, as detailed in Table 3 below.

Table 3: M2 and M3 Shifts With a Reduced Reporting Limit

	Deposits ($billions)		
	FR 2900 (1)	Call Report (2)	Difference (2-1)
In M2	42	40	**(2)**
Demand Deposits Adjusted	2	2	0
Other Checkable Deposits	3	4	1
Savings & MMDA Deposits	17	15	(2)
Small Time Deposits	20	19	(1)
In M3	51	49	**(2)**
Large Time Deposits	9	9	0

Taken together, the proposals to (1) change the definition of nonexempt to one based on net transaction accounts, and (2) implement a reduced reporting limit set at $1 billion, would cause the following shift in panel counts and deposit contributions, as shown in Table 4:

Table 4: Effect of Proposed Revisions on FR 2900 and FR 2910a Panels

September 2002 Reporting Panels		September 2003 Reporting Panels		Number of FR 2910a Reporters Gained or (Lost)	FR 2910a Deposits Gained or (Lost) $ Billions
FR 2900 weekly	nonexempt	FR 2910a	exempt	81	21
FR 2900 quarterly	nonexempt	FR 2910a	exempt	954	30
FR 2910a	exempt	FR 2900 weekly	nonexempt	(4)	(11)
Net shift from FR 2900 to FR 2910a				1,031	40

Approximately 1,031 institutions on net would shift from the FR 2900 panels to the FR 2910a panel, comprising a shift of about $40 billion in deposits. Nonetheless, inclusion of the reduced reporting limit, even set at a generous $1 billion, prevents the unacceptable deterioration in the Federal Reserve's ability to accurately calculate and publish the monetary aggregates on a weekly basis, as evidenced by the fact that the associated breaks in M2 and M3 measurement would be relatively small under this proposal. Indeed, while the implementation of a reduced reporting limit would capture only 18 additional reporters in the weekly category, it would nearly eliminate the measurement breaks identified above.

Additional Revisions

The remaining proposed revisions, except for the proposal to raise the nonexempt deposit cutoff beyond its indexed level, each follow from the Federal Reserve's recommendation to change the definition of "nonexempt." Upon defining nonexempt as based on net transaction accounts instead of based on total reservable liabilities, there is no longer a need for collection of daily data on the nontransaction components of total reservable liabilities. Nonetheless, the Federal Reserve needs a measurement of total reservable liabilities in order to index the exemption amount, as prescribed by the Federal Reserve Act. Indeed, Section 19 of the Act requires that the annual indexation of the exemption amount be based on 80 percent of the change in total reservable liabilities as measured on June 30 each year. Therefore, a data collection system for the nontransaction components of reservable liabilities (i.e., the nonpersonal dedposit items and net Eurocurrency liabilities components) must remain, though at a much-reduced frequency. In order to reduce reporting burden as much as possible but still meet this requirement, the Federal Reserve proposes changes to the following reports.

<u>Report of Transaction Accounts, Other Deposits and Vault Cash (FR 2900)</u>

The FR 2900 is the primary source of data used for the calculation of required reserves and for the construction and interpretation of the monetary aggregates. Under the proposed revisions, data from this report would also supply data necessary for the statutory requirement that the exemption amount be indexed on an annual basis according to the specified procedure.

Reduce Reporting Frequency of Nonpersonal Deposit Items on FR 2900 to One Day Each Year. The FR 2900 report currently contains two nonpersonal deposit items: "Total nonpersonal savings and time deposits (included in Items C.1 and D.1 above)" (Memorandum Item F.2.), and "Other reservable obligations maturing in 7 days or more (Nonpersonal only)" (Schedule AA, Item 2). Because these two items are now deemed necessary only for annual indexation purposes, the Federal Reserve proposes that they be collected only one day each year. The items would remain on the FR 2900 report, to be reported as follows:

a) Weekly FR 2900 reporters on June 30th each year.

b) Quarterly FR 2900 reporters on the Monday following the third Tuesday each June (i.e., the day closest to June 30th).

The Call Report cannot serve as a replacement data source for these items because the concept of "nonpersonal deposits" is not used in the Call Report. When these changes would be implemented in September 2003, the daily items would cease to be reported. In June 2004 the single-day items would first be reported.

Add "Net Eurocurrency Liabilities" to FR 2900. Because these data are now deemed necessary only for annual indexation purposes, the Federal Reserve proposes that this item be collected on the FR 2900 reporting form as often as the other nontransaction components of total reservable liabilities and be reported one day each year. Both weekly and quarterly FR 2900 reporters would report the item on the schedule outlined above. The Call Report cannot serve as a replacement data source for this item because the Call Report does not provide a close substitute for this item.

Item Coverage. Under the proposed revisions, the FR 2900 would consist of fifteen items instead of fourteen. The report would collect daily data on the twelve unchanged items for each Tuesday-through-Monday reporting period. These twelve items are necessary for the calculation of reserve requirements and the monetary aggregates. The three items to be reported at an annual frequency -- those that supply data on the nontransaction components of total reservable liabilities -- are needed for the annual indexation of the exemption amount, which is required by the Federal Reserve Act.[12]

Reporting Panels and Frequency. Under this proposal, all institutions with total deposits at or above the reduced reporting limit ($1 billion in total deposits), and all nonexempt institutions (net transaction accounts greater than the exemption amount) with total deposits at or above the proposed nonexempt deposit cutoff, would be considered "nonexempt" and would report the twelve daily items on the FR 2900 at a weekly frequency. Nonexempt institutions with total deposits below the proposed nonexempt deposit cutoff would report the twelve daily items on the FR 2900 one week each quarter.[13] In addition, all FR 2900 reporters, regardless of how frequently they report the twelve daily items, would report the three annual items one day each year.

---

12. As discussed above, the indexation requirements are specified in Section 19 of the Federal Reserve Act.

13. The reporting weeks for the quarterly respondents begin on the third Tuesday of March, June, September, and December.

U.S. branches and agencies of foreign banks and Edge and agreement corporations would continue to report weekly on the FR 2900, regardless of their deposit size. Deposits and reservable obligations of such institutions tend to be more of the managed, rather than retail, variety and tend to be much more volatile than those of other types of institutions. Since managed liabilities may be raised or lowered at the discretion of the institution, relatively frequent reporting is necessary to obtain accurate measures of the monetary aggregates. Moreover, the relationship between these institutions and their parent organizations makes possible short-term transfers of liabilities and assets between reporting dates in order to avoid reserve requirements. To eliminate the possibility of reserve avoidance and to help ensure accurate measurement of the monetary aggregates, the Federal Reserve believes that continued weekly reporting for these institutions is desirable.

The Federal Reserve recommends weekly reporting of the twelve unchanged items on the FR 2900 by larger institutions to facilitate reserve requirement calculations, construction of the monetary aggregates, and the implementation of monetary policy.

For each of the twelve daily items, the Federal Reserve also recommends the continued collection of seven days of data each report week rather than data for a single day or weekly-average data. Single-day data -- for example, levels reported only for Monday -- are much more volatile than weekly-average data and would result in larger fluctuations in the money stock figures. In addition, single-day data would increase the ability of institutions -- in particular the larger ones -- to avoid reserve requirements by managing their balance sheets to reduce net transaction accounts on the report date.

For several reasons, the reporting of data for each of the seven days separately is preferable to the reporting of seven-day averages only. First, the ability to make day-to-day comparisons through editing procedures (as well as week-to-week comparisons) is important in maintaining the quality of the data. This is particularly significant with the advent of sweeps, which result in very large fluctuations in the daily data. In addition, respondents would still need to compile the daily data to compute the weekly average. Finally, daily data, not weekly averages, are used in constructing final month-average levels of the monetary aggregates. Monthly figures could be constructed from weekly averages, but such figures would only be approximations of the correct numbers. For those components of the monetary aggregates that have pronounced intra-weekly movements, such as vault cash and demand deposits, monthly averages of daily figures normally differ substantially from monthly figures constructed by prorating weekly averages.

On numerous occasions in the past, daily data have been useful for measurement and current analysis of the monetary aggregates. In preparing for contemporaneous reserve requirements, for example, the Federal Reserve used historical daily data to reconstruct the monetary aggregates from a week-ending-Wednesday basis to a week-ending-Monday basis. Another use occurred when international money market payments were causing a bias in the money stock, and daily data for certain banks on certain days (days on which European markets were closed but U.S. markets were open) were used by the Federal Reserve to investigate this bias. Moreover, the availability of daily data has facilitated the interpretation of sharp movements in the money stock when the timing of these movements within a week coincided with major disturbances, such as quarter-end balance sheet adjustments by commercial banks, the shutdown of a financial center due to a power failure, or more recently, the terrorist attacks which occurred on September 11,

2001. In addition, the availability of daily data has made the detection of new retail sweep programs much easier than would have been the case based only on weekly-average data.

To minimize burden, the Board permits quarterly reporting of the FR 2900 by smaller nonexempt institutions.[14] Between quarterly report dates, estimates of the weekly deposits and vault cash of these quarterly reporters (for use in constructing the monetary aggregates) are inferred from reported movements at a class of small weekly FR 2900 reporters. When the actual data from the quarterly FR 2900 reporters become available these weekly estimates are adjusted.

Single-day data for the three FR 2900 items included in the nontransaction components of reservable liabilities are deemed acceptable from all FR 2900 reporters. This collection frequency affords a maximum reduction in reporting burden, while complying with the statutory requirement to index the exempt amount on an annual basis, for which a measure of total reservable liabilities is needed on one day each year. While single-day data are not preferable to daily data in terms of data quality, the Federal Reserve cannot justify daily, or even quarterly, data collection to meet the indexation requirement. As discussed above, nonpersonal deposit data are not used in any other context except for annual indexation, and the Federal Reserve intends to propose that data on net Eurocurrency liabilities, which are used in other analysis (described below), be incorporated at a reasonable collection frequency into the family of bank credit reports later this year.

Raise the Nonexempt Deposit Cutoff Above its Otherwise Indexed Level. The Federal Reserve proposes that the nonexempt deposit cutoff be raised to $150.0 million, a significant upward adjustment from the 2003 indexed level of $112.3 million.[15] This intervention would result in the potential for shifting approximately 884 weekly FR 2900 reporting institutions to the category of quarterly FR 2900 reporters.[16] The nonexempt deposit cutoff would be implemented during the September 2003 panel shifts, and in the future, would continue to be indexed annually, according to the usual procedure.[17]

In making its decision to recommend a level for the nonexempt deposit cutoff that is higher than its indexed value, the Federal Reserve carefully weighed the trade-offs between reduced reporting burden, on the one hand, and possible adverse consequences for the accurate measurement of money and reserves, on the other. Each of these issues is considered below.

---

14. Reserve requirements for these institutions, which are satisfied during weekly maintenance periods, are set quarter-by-quarter based on data reported for a single week each quarter.

15. Under standard procedure, the 2003 indexed values for the exemption amount, the nonexempt deposit cutoff, and the low reserve tranche were approved by the Federal Reserve and announced in late 2002.

16. Note that while some FR 2900 weekly reporters that are eligible to shift to FR 2900 quarterly reporting may choose not to do so, for purposes of this document, burden reduction calculations are based upon the eligible number of shifters.

17. The nonexempt deposit cutoff would continue to be indexed annually to grow at 80 percent of the June 30th-to-June 30th growth rate in total deposits at all depository institutions. As in the past, if total deposits decline in that period, the cutoff would remain at its current level. (No downward adjustment would be made.)

Reduced Reporting Burden

An overall reduction in reporting burden would result from the implementation of the higher nonexempt deposit cutoff. Various FR 2900 panels are described below. In the absence of further Board action, the September 2003 panel would be based upon the indexed nonexempt deposit cutoff of $112.3 million. As a result of the Federal Reserve's recommendation to raise the nonexempt cutoff to $150.0 million, however, 884 nonexempt institutions would shift from weekly to quarterly FR 2900 reporting.

Table 5: Effect of Proposed Nonexempt Deposit Cutoff on FR 2900 Panel

Panel	Cutoff ($ millions)	FR 2900 weekly	FR 2900 quarterly
Indexed Nonexempt Cutoff	112.3	4,515	4,535
Proposed Nonexempt Cutoff	150.0	3,631	5,419
Proposed Minus Indexed		(884)	884

Measurement of the Monetary and Reserve Aggregates

To guard against significantly jeopardizing the accuracy of measurement of the monetary and reserve aggregates, the Federal Reserve believes that the cutoff applied to nonexempt institutions must not be raised higher than $150.0 million. To do so would lead to too great a loss of information and too great an increase in the Federal Reserve's estimation error, thereby introducing the potential for unacceptable risks in the quality of the monetary and reserve aggregates. Loss of weekly reporters to the quarterly reporting category has several significant adverse effects, as listed below:

First, as institutions move from weekly to quarterly status, initial weekly estimates of the monetary aggregates become less accurate because fewer institutions are reporting weekly data. The Federal Reserve must make weekly estimates of the deposits of all non-weekly reporters for inclusion in the monetary aggregates, which it does by using actual deposit growth for a sample of the smaller weekly reporting institutions (known as the surrogate panel). In addition, the higher nonexempt cutoff removes some of the institutions available for the surrogate panel, so that the remaining institutions may be less representative of the non-weekly reporters. These weekly and quarterly projection errors show up when a new quarterly report is received, at which time the money and reserve aggregates are revised (a procedure called the quarterly benchmark).

Second, raising the nonexempt cutoff causes a permanent loss of information that cannot be corrected by quarterly benchmarking. That is, as institutions move from weekly to quarterly reporting status, the Federal Reserve loses valuable information about the actual daily, weekly, and monthly movements of deposits at these institutions between quarterly report dates. The historical pattern of weekly data estimated for all quarterly reporters is likely to differ *more* from true weekly deposit holdings when *less* actual weekly data are collected, but there is no way to directly measure or correct for such error. Thus, the loss of higher frequency information that accompanies a higher nonexempt cutoff is permanent.

Third, an increase in the nonexempt deposit cutoff could potentially engender greater reserve avoidance. For quarterly reporters, vault cash held during the reporting week is applied against required reserves during the subsequent quarter. Thus, depository institutions could acquire extra vault cash during the reporting week and reduce the reserve balances they are required to maintain throughout the following quarter. The number of institutions that could potentially benefit from such an avoidance scheme -- namely, quarterly FR 2900 reporters whose normal vault cash holdings are less than their reserve requirements (bound institutions) -- potentially increases with the level of the nonexempt cutoff (that is, as the number of quarterly FR 2900 reporters increases).

Fourth, maintaining a broad-based weekly reporting panel is necessary to facilitate the Federal Reserve's examination of current issues facing the banking and thrift industries. The Federal Reserve uses the weekly deposits data to assess deposit trends in specific entity types, geographic regions, or at specific institutions. These efforts are most successful when the weekly reporting panel is sufficiently broad to provide good coverage when the data are disaggregated by entity type or region.

In summary, raising the nonexempt deposit cutoff as proposed allows the Federal Reserve to reduce the reporting burden of weekly nonexempt reporters without significantly jeopardizing the quality of the data collected, affording a balance between reduced reporting burden and accuracy of the monetary and reserve aggregates.

Report of Certain Eurocurrency Transactions (FR 2950 and FR 2951)

Currently, the FR 2950 and FR 2951 collect information on Eurocurrency liabilities from depository institutions that obtain funds from foreign (non-U.S.) sources or that have foreign branches. There are two versions of this report: the FR 2951, which is tailored to and required from U.S. branches and agencies of foreign banks, and the FR 2950, which is required from other types of depository institutions that file the FR 2900 and that have foreign branches or outstanding borrowings from other non-U.S. institutions. Both reports currently collect seven days of data (Tuesday through Monday).

At the time of the September 2002 panel shifts, the Eurocurrency panel comprised 394 respondents: the FR 2951 panel consisted of 264 U.S. branches and agencies of foreign banks and Edge and agreement corporations, and the FR 2950 panel consisted of 130 other respondents.

Discontinue the FR 2950/2951 Reports on a Contingent Basis. Owing to the proposal to add net Eurocurrency liabilities to the FR 2900 as outlined above, the Federal Reserve recommends eliminating the FR 2950 and FR 2951 reports on a contingent basis. The contingency is that certain Eurocurrency items (not necessarily as currently defined on the FR 2950 and FR 2951) would be added to the family of bank credit reports during their triennial review to be conducted later this year. The timing of the discontinuance of these reports would be linked to the bank credit report changes in order to prevent a significant gap in data reporting.

Item Coverage. Each item on the FR 2950 and FR 2951 reports is used in the calculation of reserve requirements on net Eurocurrency liabilities.[18] Even though the Board reduced the reserve requirement ratio on net Eurocurrency liabilities to zero in 1991, the data collection system for Eurocurrency liabilities was maintained, just in case the ratio was raised above zero at a later date.

However, as justified above, the proposal to collect these data only for purposes of annual indexation of the exemption amount – in order to complete a measure of total reservable liabilities at the prescribed interval – recognizes that these data are not necessary for purposes of calculating reserve requirements or the monetary aggregates. Therefore, the Federal Reserve proposes that the single item "net Eurocurrency liabilities" be added to the FR 2900 reporting form, to be reported for a single day at an annual frequency. The first time net Eurocurrency liabilities would be reported on the FR 2900 would be for a single day in June 2004.

The Federal Reserve recommends that respondents to the FR 2950 and FR 2951 continue to report daily data, with no changes to the reporting framework or reporting forms, until the renewal of the bank credit weekly reports (the Weekly Report of Assets and Liabilities for Large Banks: FR 2416; OMB No. 7100-0075; the Weekly Report of Selected Assets: FR 2644; OMB No. 7100-0075; and the Weekly Report of Assets and Liabilities for Large U.S Branches and Agencies of Foreign Banks: FR 2069; OMB No. 7100-0030) in May 2004. At that time, a proposal will be made to add certain Eurocurrency items to the family of bank credit reports. The FR 2950 and FR 2951 would not be discontinued until that time (May 2004) because data from the FR 2950 and FR 2951 are useful in the measurement and interpretation of international capital flows through the U.S. banking system. These flows are an important component of nondeposit sources of funds to the banking system, which is published and used in the analysis of domestic monetary and credit developments. In addition, these data contribute significantly to the Federal Reserve's understanding of international capital flows and their implications for the external position of the U.S. economy. The net positions of institutions with their own non-U.S. branches and own IBFs (the net of Items 2 and 3) is a significant component in the estimate of nondeposit funds, and amounts reported in Item 5 on the FR 2950, "Credit Extended by Own Non-U.S. Branches to U.S. Residents," are used in estimating short- and intermediate-term business credit. Information on these positions are included in the weekly H.8 Statistical Release.

Annual Report of Total Deposits and Reservable Liabilities (FR 2910a)

Currently, the two-item FR 2910a is filed by (non-FR 2900) institutions whose total deposits (as shown on their December Call Report) are greater than or equal to the exemption amount and by all other institutions whose total deposits cannot be verified as being below the exemption amount. Respondents report single-day data as of the Monday following the third Tuesday each June, corresponding to the last day of the seven-day June reporting week for FR 2900 quarterly respondents.

---

18. The calculation of net Eurocurrency liabilities is as follows:

For FR 2950 respondents: [(Item 2 + Item 4 + Item 5) - Item 3]† + Item 1.

For FR 2951 respondents: [(Item 2 + Item 5 - Item 3 - (Item 4) * (8%)]† + Item 1.

(† If the result of the calculation enclosed within brackets is negative, that result is set to zero before proceeding with the rest of the equation.)

Add the Item "Net Transaction Accounts" to the FR 2910a. This item is necessary because under the proposal, institutions will be assigned to a reporting category based on net transaction accounts and total deposits. (Total deposits are already reported on the FR 2910a.)

Change the Reporting Date for the FR 2910a to June 30th. The purpose of changing the reporting date to June 30th is twofold. First, it would match the date required for calculations necessary to complete the annual indexation of the exemption amount. Second, it would facilitate the interseries editing of the FR 2910a data against the second quarter Call Reports data, which are collected as of June 30th.

Item Coverage. The first item on this report, total deposits, is used primarily for determining the reporting category of the respondent institution.[19] Data on total deposits (whether from the FR 2900, the Call Reports, or the FR 2910a) are used in the annual indexation of the nonexempt deposit cutoff and will be used in the annual indexation of the newly-proposed reduced reporting limit. The second item, reservable liabilities, is used for the annual indexation of the exemption amount. The Federal Reserve proposes that a third item, net transaction accounts, be added to the report. This item is needed in order to determine an institution's reporting status under the proposal to use net transaction accounts, rather than total reservable liabilities, to determine whether an institution is exempt. Since net transaction accounts is one of the components of reservable liabilities, the separate reporting of this item causes little additional reporting burden.

Reporting Panels. Under the proposed reporting framework, all institutions that do not file an FR 2900 report and that have total deposits above the exemption amount would report the FR 2910a one day each year. In addition, any institution that does not file a December Call Report will also be asked to report the FR 2910a.

Summary of Proposed Deposit Reporting Categories

Table 6 describes the deposit reporting requirements proposed for 2003 and provides an estimate of the number of reporters in each category.

19. In addition, the FR 2910a is the only data source for a very small number of institutions whose Call Reports are not readily available.

Table 6: Proposed 2003 Deposit Reporting Requirements

Exempt		**Nonexempt**	
Net transaction accounts ≤ $6 million		Net transaction accounts > $6 million, OR Total deposits ≥ $1 billion reduced reporting limit	
Nonreporters (5,033 institutions)	**Annual Reporters** (6,103 reporters)	**Quarterly Reporters** (5,135 reporters)	**Weekly Reporters** (3,888 reporters*)
• Total deposits ≤ $6 million • Do not file an FR 2900 family report	• Total deposits > $6 million • File a 3-item report (FR 2910a) one day each year	• Total deposits < $150 million • File a 12-item report (FR 2900) one week each quarter and an additional 3 items (on the FR 2900) Monday in the June report week	• Total deposits ≥ $150 million • File a 12-item report (FR 2900) each week and an additional 3 items (on the FR 2900) each June 30

* Includes 18 otherwise exempt institutions (under the proposal to change the definition of nonexempt alone) that would be subject to the proposed reduced reporting limit.

Other Deposit Reports and Justification

<u>Report of Foreign (Non-U.S.) Currency Deposits (FR 2915)</u>

The FR 2915 was implemented in January 1990 following the decision by the Board of Governors of the Federal Reserve System in late 1988 not to object to issuance of foreign currency deposits at depository institutions in the United States after December 31, 1989. A procedure for converting the value of such deposits into dollars for reporting purposes also was established.

All FR 2900 respondents, both weekly and quarterly, that offer deposits denominated in foreign currencies at their U.S. offices (153 depositories as of September 23, 2002) file the FR 2915. However, while the FR 2900 collects daily data, the FR 2915 collects seven-day averages. All respondents file reports on the same frequency as the quarterly FR 2900, which is one report week each March, June, September, and December. The reporting week begins on the third Tuesday of the given month and ends on the following Monday.

<u>Reporting Frequency</u>. When the report was introduced, weekly FR 2900 respondents filed the FR 2915 once a month while quarterly FR 2900 respondents filed the FR 2915 on the same frequency as the quarterly FR 2900. Beginning in March 1995, the FR 2915 reporting frequency for weekly FR 2900 reporters was reduced from once a month to once a quarter, consistent with and on the same schedule as quarterly FR 2900 reporters. The change was made in response to the decline in the amount outstanding of foreign currency deposits, from the peak of $4.3 billion

in 1992 to $2.8 billion at the time of the 1994 review of the report, with only small monthly fluctuations. The Federal Reserve determined that quarterly measures would suffice both for backing the data out of the monetary aggregates as well as for monitoring the overall volume of the deposits. The change resulted in a 66 percent decrease in annual respondent burden for this report. The total amount outstanding of foreign currency deposits was about $5 billion as of September 23, 2002. It is considered necessary to continue monitoring foreign currency deposits, and the FR 2915 is the only source of data on foreign currency deposits. A quarterly collection frequency is still sufficient.

Item Coverage. The amounts of foreign currency deposits held at U.S. offices of a depository institution are converted to U.S. dollars and included in the appropriate existing items on the institution's FR 2900, which collects outstanding balances as of the close of business each day of the seven-day reporting week that begins on Tuesday and ends the following Monday. The six items on the FR 2915 break out the amounts of these foreign currency-denominated deposits that are included in selected FR 2900 line items. Specific FR 2900 line items are referenced on the face of the FR 2915 reporting form.

The Federal Reserve has looked for alternative sources of quarterly data on foreign currency deposits. However, the item on foreign currency deposits was removed from the Call Report in March 1996; therefore, the FR 2915 report is now the sole source of data on foreign currency deposits from banks. The Federal Reserve has also examined whether the number of items collected on the report could be reduced. Total foreign currency deposits must be broken out by major deposit type and must eliminate interbank transactions, consistent with the FR 2900 report, in order to construct the monetary aggregates. The present level of detail contained on the six-item FR 2915 report is required to obtain the minimum amount of data needed for construction of the monetary aggregates. Therefore, the Federal Reserve recommends no changes to the reporting frequency or item content of this report.

Allocation of Low Reserve Tranche and Reservable Liabilities Exemption (FR 2930/2930a)

This report provides information on the allocation of the low reserve tranche and reservable liabilities exemption for depository institutions having offices (or groups of offices) that file separate FR 2900 deposit reports.[20] There are two versions of the report: the FR 2930, which is filed by U.S. branches and agencies of foreign banks and Edge and agreement corporations, and the FR 2930a, which is reported by other types of depository institutions.[21]

The Federal Reserve recommends no changes in the item content of these reports. As noted earlier, an institution's net transaction accounts up to the exemption amount are reserved at zero percent. In addition, net transaction accounts up to the low reserve tranche are reserved at a

20. Federal Reserve Regulation D requires that offices of Edge and agreement corporations with the same parent bank, and branches and agencies of the same foreign bank located within the same state and the same Federal Reserve District, file an aggregated FR 2900 report. However, separate FR 2900 reports must be filed if such institutions have offices in more than one state or District. In addition, for a brief period following a merger, some domestic institutions are allowed to submit separate FR 2900 reports to permit consolidation of reporting and other operational systems.

21. Both forms collect the same data. However, the instructions and explanatory information differ.

lower ratio than amounts in excess of this level. Only a single exemption and a single low reserve tranche, however, are allowed per chartered depository institution. Therefore, in order to calculate the reserve requirement of an institution that submits separate FR 2900 reports for two or more offices, that institution is required to allocate, using the FR 2930 or FR 2930a, the low reserve tranche and the exemption among those offices. A copy of the report must be submitted to each Reserve District in which a reporting office is located.

The FR 2930 and FR 2930a reports are collected from all respondents toward the end of each calendar year (or early in the next calendar year, as appropriate) to take into account the annual indexing of the tranche and the exemption amount, as well as any reallocation the institutions may make among their various offices. The appropriate report is required at least one week before the beginning of the reserve computation period (a 14-day period beginning on Tuesday and ending on Monday of the second week following) in which the revised allocations are to be effective. The report also is required at any time during the year when an institution changes the number of FR 2900 reports it submits.[22]

Reporting Instructions

While Federal Reserve recommends no substantive changes to the instructions for the FR 2900, they propose to update and clarify them. These changes would include removing obsolete text, making the text parallel the Call Report instructions where appropriate, and adding language for the proposed single-day reporting of nonpersonal deposit items. In addition, proposed instructions (including a worksheet) would be added for the reporting of the third single-day item, net Eurocurrency liabilities. The instructions for net Eurocurrency liabilities would be taken directly from the existing instructions for the FR 2950 and FR 2951 reports.

The instructions for the FR 2910a would be updated to reflect a separate line item for net transaction accounts.

Time Schedule for Information Collection and Publication

Reserve Banks collect the deposit reports from respondents on a schedule that allows the Banks to meet the deadline for transmission of the data to the Board. The Reserve Banks edit the data and then prepare the Board transmissions.

Publication. The data are used in the production of releases and internal reports. Aggregate data for deposits, reserves, or both are published in numerous statistical releases and *Federal Reserve Bulletin* tables, including the following: Aggregate Reserves of Depository Institutions and Monetary Base (H.3 Statistical Release; *Federal Reserve Bulletin* Table 1.20); Money Stock Measures (H.6 Statistical Release; *Federal Reserve Bulletin* Table 1.21); Reserves and Money

---

22. Further changes in the allocations may be made as follows: (1) When a new office of an institution already filing the FR 2930 or FR 2930a is established, the low reserve tranche and/or reservable liabilities exemption allocation for any or all of the offices may be changed as of the first reserve computation period beginning in any calendar month; or (2) if, under the existing allocation, the low reserve tranche is not being fully utilized during each reserve computation period by a depository institution filing the FR 2930 or FR 2930a, or if the existing allocation is having an adverse effect on the operations of the institution, the allocation may be changed as of the first reserve computation period beginning in any calendar month.

Stock Measures (*Federal Reserve Bulletin* Table 1.10); Reserves and Borrowings (*Federal Reserve Bulletin* Table 1.12); and, Assets and Liabilities of Commercial Banks in the United States (H.8 Statistical Release; *Federal Reserve Bulletin* Table 1.26). Data from the FR 2950 and FR 2951 are used in construction of the nondeposit funds components of the H.8 statistical release.

Legal Status

The Board's Legal Division has determined that the deposit reports are required by law, as follows:

FR 2900, 2950, and 2930: 12 U.S.C. 248(a), 461, 603, and 615
FR 2910a and 2930a: 12 U.S.C. 248(a) and 461
FR 2915: 12 U.S.C. 248(a)(2), and 347(d)
FR 2951: 12 U.S.C. 248(a), 461, and 347(d)

The data are given confidential treatment under Section b(4) of the Freedom of Information Act [5 U.S.C. 552(b)(4)].

Consultation Outside the Agency

There has been no consultation outside the Federal Reserve System.

Sensitive Questions

These reports contain no sensitive questions as defined by OMB guidelines.

Respondent Burden and Costs

As shown in Table 7, the current annual reporting burden for the deposit reports is estimated to be 978,525 hours. The proposed changes represent a burden reduction of 175,366 hours, or 17.9 percent for this family of reports. The proposed total burden represents 13.1 percent of all Federal Reserve System reports, down from 15.9 percent. Most of the proposed burden decrease would be due to more institutions reporting less frequently. The re-definition of “nonexempt institutions” and the implementation of a reduced reporting limit would shift 81 FR 2900 weekly reporters and 954 FR 2900 quarterly reporters to the FR 2910a, as well as 4 FR 2910a reporters to the FR 2900 weekly report. The proposed increase of the nonexempt deposit cutoff above its indexed level would shift 884 respondents from the FR 2900 weekly to the FR 2900 quarterly report. On net, the other proposed revisions should not change the estimated hours per response. In addition, most of the burden associated with the FR 2950/2951 would be eliminated in May 2004 when this report would be discontinued.[23]

23. A further reduction of 19,854 annual burden hours will occur in May of 2004 when net Eurocurrency liabilities will begin to be reported annually rather than the current weekly or quarterly.

Table 7: Estimated Respondent Burden for Deposit Reports

Reporting Status		*Number of respondents*	*Annual frequency*	*Estimated average hours per response*	*Estimated annual burden hours*
Current					
FR 2900	weekly	4,849	52	3.50	882,518
	quarterly	5,205	4	3.50	72,870
FR 2910a		5,072	1	0.50	2,536
FR 2915		153	4	0.50	306
FR 2930/2030a		186	1	0.25	47
FR 2950/2951	weekly	389	52	1.00	20,228
	quarterly	5	4	1.00	20
Total		15,859			978,525
Proposed					
FR 2900	weekly	3,888	52	3.50	707,616
	quarterly	5,135	4	3.50	71,890
FR 2910a		6,103	1	0.50	3,052
FR 2915		153	4	0.50	306
FR 2930/2030a		186	1	0.25	47
FR 2950/2951	weekly	389	52	1.00	20,228
	quarterly	5	4	1.00	20
Total		15,859			803,159
Change		**0**			**(175,366)**

Note: As of September 23, 2002, except as noted. The FR 2900 weekly data exclude the Federal Home Loan Banks. There are 130 FR 2950 respondents and 264 FR 2951 respondents. The FR 2930/2930a data are as of November 26, 2002; on that date there were 185 FR 2930 respondents and 1 FR 2930a respondent.

Based on an hourly cost of $20, the estimated annual cost to the public would decline from $19,570,500 to $16,063,180 a year, a reduction of $3,507,320.

Federal Reserve System Costs

Estimates of the annual cost to the Federal Reserve System of collecting and processing the proposed revised report will be obtained.

Appendix C

Uses of FR 2900 Items

Table C.1 summarizes the uses of each item on the FR 2900. As shown in the table, the separate reporting of various deposit categories is needed because of the different treatment of particular items in the definitions of reservable liabilities or monetary aggregates. For example, all demand deposits are classified as transaction accounts for calculating required reserves, but two items -- demand deposits due to depository institutions and U.S. government demand deposits -- are not included in the monetary aggregates and, therefore, must be separated. Similarly, time and savings deposits are treated the same way for purposes of reserve requirements, but separate data are needed for construction and publication of the monetary aggregates.

In 1991 the Board reduced the number of items collected on the FR 2900 from 21 to 14 by consolidating some items that were previously reported separately.[5] In addition, the definition of one item was expanded. In this proposal for 2003, two items -- F.2 and AA.2 -- would be reported only one day each year, and net Eurocurrency liabilities would be added to the FR 2900, also to be reported only one day each year.

5. Reservable time and savings deposits were combined into a new memorandum item, "nonpersonal time and savings deposits," Item F.2; personal time deposits and the breakdown of nonpersonal time deposits by maturity were combined into one item, "Time Deposits," Item D; data on MMDAs and other savings deposits were combined into one item, "Savings Deposits," Item C; "Telephone transfer accounts" now reported with Item A.2, ATS and NOW accounts; and the definition of Item 2 in schedule AA was broadened to include all such transactions with original maturities of 7 days or more.

Table C.1
FR 2900 Item-by-Item Summary of Uses, for Calculation of Required Reserves and Construction of the Monetary Aggregates[1,2]

Item	Calculation of Required Reserves[3]	Construction of Monetary Aggregates	Comment
A. Transaction accounts:			
1. Demand Deposits:			
a. Due to depository institutions	Reserved as transaction accounts (3%/10%)[4]	n.a.	(Demand deposits due to depository institutions are not included in the monetary aggregates.)
b. Of U.S. government	”	n.a.	(While not included in the monetary aggregates, U.S. government demand deposits at commercial banks are published as a memorandum item on the H.6.)
c. Other demand	”	M1	Monetary aggregates. For banks, other demand (item Alc) is used to calculate the “demand deposits adjusted” component of M1, which is published on the H.6. For thrifts, this item is a component of “other checkable deposits.”
2. ATS, NOW, and telephone and preauthorized transfer accounts	”	M1/M2	Monetary aggregates. ATS and NOW accounts (item A2) are included in the “other checkable deposits” component of M1, while telephone and preauthorized transfer accounts are introduced at the M2 level. With all three types of accounts reported as a single total on the FR 2900, Board staff estimate the amount of telephone and preauthorized transfer accounts to be subtracted from that total and included in M2.
B. Deductions from transaction accounts:			
1. Demand balances due from depository institutions in the U.S.	Deducted from transaction accounts before application of reserve requirement ratio on transaction accounts.	n.a.	Reserve calculations. The sum of demand balances due from depository institutions in the U.S. and cash items in process of collection (items B1 and B2) is deducted from “gross transaction accounts” (the sum of Items A1a, A1b, A1c, A2, and AA1) in order to produce “net transaction accounts,” which is subject to reserve requirements.
2. Cash items in process of collection	”	M1	Monetary aggregates. Cash items in process of collection (item B2) are deducted from “other demand deposits” in calculating the “demand deposits adjusted” component of M1 for banks and the “other checkable deposits” component of M1 for thrifts.

C. Savings deposits (including MMDAs)	Personal accounts are not reservable; nonpersonal savings deposits are reservable, but with a reserve ratio of zero. See memorandum Item F2 below.	M2	
D. Time deposits	Personal accounts are not reservable; nonpersonal or negotiable time deposits are reservable, but with a reserve ratio of zero. See memorandum Item F2 below.	M2/M3	Monetary aggregates. Small-denomination time deposits (those in amounts less than $100,000) are introduced at the M2 level, while large-denomination time deposits (those in amounts of $100,000 or more) are introduced at the M3 level. The small-denomination portion is calculated by subtracting Memorandum Item F1, large time deposits, from total time deposits reported here (Item D).
E. Vault cash	Total required reserves less vault cash equals the amount of reserves to be maintained at the Federal Reserve Bank	M1	Monetary aggregates. Vault cash is deducted from currency in circulation to arrive at the currency component of M1. Reserve aggregates. Vault cash is used to meet reserve requirements. The amount used is applied vault cash.
F. Memorandum Section:			
1. All time deposits with balances of $100,000 or more (included in Section D above)	n.a.	M2/M3	Monetary aggregates. See comments for item D above.
2. Nonpersonal time and savings deposits (included in Sections C and D above)	Reserved as nonpersonal time deposits (0%)	n.a.	A component of total reservable liabilities, used in the annual indexation of the exemption amount. (Annual indexation is required by the Federal Reserve Act.)

SCHEDULE AA: Other reservable obligations by remaining maturity			
Ineligible acceptances and obligations issued by affiliates:			
1. Maturing in less than 7 days	Reserved as transaction accounts (3%/10%) [4]	n.a.	Reserve calculations. A depository institution is required to maintain reserves against ineligible acceptances and certain obligations issued by a nondepository affiliate if the proceeds of such obligations are channeled to the depository institution. These obligations are not direct obligations of the depository institution but are reservable obligations under Regulation D.
2. Maturing in 7 days or more (nonpersonal)	Reserved as nonpersonal time deposits (0%)	n.a.	A component of total reservable liabilities that is used in the annual indexation of the exemption amount. (Annual indexation is required by the Federal Reserve Act.)
SCHEDULE BB			
Net Eurocurrency liabilities	Reserved as non-transaction accounts (0%)	n.a.	A component of total reservable liabilities that is used in the annual indexation of the exemption amount. (Annual indexation is required by the Federal Reserve Act.)

Notes to Table:

1. Prior to 1991, The Report of Certain Eurocurrency Transactions (FR 2950/2951) was also used in the calculation of required reserves.

2. Detailed procedures for the calculation of required reserves are presented in the *Reserve Maintenance Manual* http://www.frbservices.org/accounting/frAccounting.cfm prepared for depository institutions. For additional information on the definition of the monetary aggregates, please see Tables 1.10 and 1.21 in any current *Federal Reserve Bulletin*; or any H.6 Statistical Release.

3. The reserve ratios shown are those in effect as of January 2003. In addition to the ratios shown in the table, the first $6.0 million of an institution's reservable liabilities are subject to a reserve requirement of zero percent. This is commonly referred to as the "exemption amount."

4. The amount of total "net transaction account" equal to or below the low reserve tranche is reserved at 3 percent, while the amount in excess of the tranche is reserved at 10 percent. Total "net transaction accounts" are "gross transaction accounts" (the sum of Section A, Items 1 and 2, plus Schedule AA, Item 1) less deductions as reported in Section B (Items B1 and B2).

n.a. – not applicable.